

## MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING is entered between PFIC SECURITIES CORPORATION (hereinafter "PFIC") and ERIC CLARK in his official capacity as MISSISSIPPI SECRETARY OF STATE (hereinafter "SOS").

### PARTIES

1. PFIC is a Tennessee corporation located at 810 Crescent Centre Drive, Suite 400, Franklin, Tennessee 37067. At all times relevant herein, according to both the Central Records Depository (hereinafter "CRD") and the records of the SOS, PFIC was registered as a broker-dealer in the State of Mississippi.
2. Valerie Steele (hereinafter "Steele") is a natural person and a resident of Mississippi. At all times relevant herein, according to both the CRD and the records of the SOS, Steele was registered as a broker-dealer representative in the State of Mississippi and was in the employ of PFIC.
3. Eric Clark is the duly elected Secretary of State for the State of Mississippi.

### JURISDICTION

4. The parties herein acknowledge and confess to the jurisdiction of the Secretary of State as to the parties and the subject matter of this Memorandum of Understanding.

### RECITALS

5. The SOS received complaints regarding Steele's activities as a broker-dealer representative in the employ of PFIC.
6. After further inquiry, the SOS determined that PFIC may have violated Rule 521 and Rule 523(A)(23) of the Mississippi Securities Act Rules promulgated under the Mississippi Securities Act.

### TERMS OF AGREEMENT

Now, therefore, in consideration of the foregoing and mutual promises and covenants contained herein, the parties agree as follows:

7. PFIC agrees to pay the SOS in the amount of Nine Thousand Nine Hundred Dollars (\$9,900.00) in order to resolve the SOS's determination that PFIC may have violated Rule 521 and Rule 523(A)(23) of the Mississippi Securities Act Rules. PFIC agrees to remit payment to the

"Mississippi Secretary of State" upon execution of this Memorandum of Understanding.

8. PFIC agrees that as of February 16, 2005, its written supervisory manual stipulates that purchases of Class B shares in one or more funds, which will be in the aggregate equal to or greater than one hundred thousand dollars (\$100,000.00) is prohibited. Orders for Class B shares in excess of this threshold will only be accepted as orders for Class A shares or declined.
- 9 PFIC agrees that its broker-dealer representatives shall verbally apprise customers of any applicable breakpoint discounts available to the particular customer in the particular mutual fund transaction prior to or contemporaneous with said transaction.
10. Because the SOS and PFIC agree that customers need information in addition to and separate from the prospectus relating to a mutual fund transaction, PFIC further agrees that, as of February 16, 2005, its written supervisory manual require customers to sign a "Mutual Fund Disclosure" form (copy affixed hereto) the first time a customer purchases a mutual fund whatever the amount invested or share class (A,B,C) purchased. The disclosure statement shall outline the various types of share classes and sales charges applicable to each class.

The parties herein acknowledge that they have read all the terms of this Memorandum of Understanding, that it is complete, and they agree to comply with all of the terms herein. The parties further agree that any change, modification or alteration of this document may only be done in writing agreed to by all parties.

ERIC CLARK, IN HIS OFFICIAL CAPACITY AS SECRETARY OF STATE

By: \_\_\_\_\_  
JAMES O. NELSON, II  
Assistant Secretary of State

Date: \_\_\_\_\_

PFIC SECURITIES CORPORATION

By: John Hause  
(Signature)  
JOHN HAUSE  
(Print Name)

Title: CHIEF COMPLIANCE OFFICER

Date: 5/19/05



# Mutual Fund Disclosure Form

Customer Name: \_\_\_\_\_

Account # \_\_\_\_\_

Mutual funds may offer more than one "class" of its shares to investors. Each class represents a similar interest in the mutual fund's portfolio. The principal difference between the classes is that the mutual fund will charge you different fees and expenses depending upon the class that you choose. Check the fee table in the mutual fund's prospectus to find out the precise amount of the mutual fund's fees and expenses.

## Customer Initials \_\_\_\_\_ If I Buy Class A Shares

Class A shares typically charge a front-end sales charge that is deducted from the initial investment. Class A shares may impose an asset-based annual charge, but it generally is lower than the asset-based annual charge imposed by the other share classes. I/we may qualify for discounts, called breakpoints, on the front-end sales charge as described in the mutual fund's prospectus if I/we:

- make a large purchase;
- already hold other mutual funds offered by the same fund family;
- have family or household members who holds funds in the same fund family;
- sign a letter of intent committing to purchase a certain amount of mutual fund shares over a stated period of time as described in the fund's prospectus;
- request rights of accumulation, a discount received in a current mutual fund transaction based upon the cumulative value of previous transactions/holdings as described in the fund's prospectus.

Please link the account numbers/fund holdings listed below to exercise rights of accumulation privileges so that the purchase(s) I/we am/are about to make and future purchases will receive any discount for which they are eligible:

1. Tax ID or Account number(s) held at National Financial Services LLC  
\_\_\_\_\_
2. Tax ID or Account number(s) held directly at the Fund/Insurance Company  
\_\_\_\_\_  
Number and Description of fund shares held: \_\_\_\_\_  
\_\_\_\_\_
3. Tax ID or Account number(s) held at another broker-dealer  
\_\_\_\_\_  
Number and Description of fund shares held: \_\_\_\_\_  
\_\_\_\_\_

**Customer Initials \_\_\_\_\_ If I Buy Class A Shares in a single fund family in an amount within 20% of any applicable breakpoint**  
I/we understand that if I/we increase the purchase amount to any applicable breakpoint I/we can obtain a reduction in the front-end sales charge as described in the fund's prospectus. I/we further understand that I/we may obtain a sales charge reduction by executing a Letter of Intent to make additional purchases.

**Customer Initials \_\_\_\_\_ If I Buy Class A Shares in two or more unrelated mutual fund families in an amount which if combined and used to purchase only one fund family would result in an applicable breakpoint as described in the fund's prospectus** I/we understand I/we am/are incurring a higher front-end sales charge for the opportunity to own more than one fund family.

## Customer Initials \_\_\_\_\_ If I Buy Class B Shares

Class B shares typically do not charge a front-end sales charge at the time of purchase, but instead impose a contingent deferred sales charge (CDSC) as described in the fund's prospectus, which you pay when you sell your shares. The CDSC normally declines and eventually is eliminated the longer you hold your shares. Class B shares typically impose higher asset-based annual charges than Class A shares. Once the CDSC is eliminated, Class B shares often then "convert" into Class A shares at which point they will begin to charge the same asset-based annual charge as the Class A shares. Consult the fund's prospectus for specific information about the sales charges and fees associated with Class B shares.

## Customer Initials \_\_\_\_\_ If I Buy Class C Shares

I/we understand that while C shares do not impose a sales charge at the time of purchase, they will often impose a very small CDSC if the shares are sold within a short time of the purchase, usually one year. The annual asset-based charges for Class C shares are usually higher than those of Class A shares, and slightly higher than those for Class B shares. Class C shares typically do not convert to A shares; therefore, I/we will be subject to the higher annual Class C expense levels as long as I/we hold the shares. Consult the fund's prospectus for specific information about the sales charges and fees associated with Class C shares.

I/we acknowledge receiving a current prospectus for the mutual fund(s) I/we am/are purchasing and understand the sales charges and other applicable fees or charges associated with the mutual fund(s) as described in the prospectus. I/we understand that I/we should read the prospectus carefully before investing. I/we have read and understand the disclosures outlined above.

Customer Signature \_\_\_\_\_ Date \_\_\_\_\_

Joint Signature \_\_\_\_\_ Date \_\_\_\_\_

Representative Signature \_\_\_\_\_ Date \_\_\_\_\_

Rep Number \_\_\_\_\_